

EXHIBIT 1

INTRODUCTION

Respondent Michael Gallagher, (“Respondent Gallagher”) is an individual residing in Upland, California. Respondent Gallagher is a shareholder and the president of Respondents Oak Valley Management, Inc. (“Respondent OVMI”), and Gallagher Management Company (“Respondent GMC”), which are California corporations located in Oak Hills, California. These corporations specialize in general contracting. Respondent Gallagher is the general partner of Respondent GMC Oak Hills 66, LP (“Respondent GMC 66”), a California limited partnership located in Victorville, California, which was created to purchase and develop a specific parcel of vacant real property.

At all relevant times, Respondent Gallagher directed and controlled the political contributions made by Respondents OVMI, GMC, and GMC 66. Thus, under the Political Reform Act (the “Act”),¹ Respondent Gallagher is affiliated with Respondents OVMI, GMC, and GMC 66 for reporting and contribution aggregation purposes.

In calendar years 2004, 2005, 2006 and 2007, Respondents Gallagher, OVMI, GMC, and GMC 66 (collectively, “Respondent Committee”), made contributions to or at the behest of candidates or committees that totaled \$10,000 or more. As a result, they jointly qualified as a single “major donor committee” under the Act for each of those years.

This case arose when Respondent Committee voluntarily submitted these matters to the Fair Political Practices Commission (the “Commission”).

For the purposes of this Stipulation, Respondents’ violations of the Political Reform Act are stated as follows:

COUNT 1: Respondents Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP, failed to timely file a semi-annual campaign statement by the January 31, 2005 due date for the reporting period of January 1 to December 31, 2004, in violation of Government Code Section 84200, subdivision (b).

COUNT 2: Respondents Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP, failed to timely file a late contribution report within 24 hours of

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

making a late contribution totaling \$2,500 by the October 28, 2004 due date, in violation of Government Code Section 84203.

COUNT 3: Respondents Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP, failed to timely file a semi-annual campaign statement by the August 1, 2005 due date for the reporting period of January 1 to June 30, 2005, in violation of Government Code Section 84200, subdivision (b).

COUNT 4: Respondents Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP, failed to timely file a semi-annual campaign statement by the January 31, 2006 due date for the reporting period of July 1 to December 31, 2005, in violation of Government Code Section 84200, subdivision (b).

COUNT 5: Respondents Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP, failed to timely file a late contribution report within 24 hours of making a late contribution totaling \$3,300 by the May 27, 2006 due date, in violation of Government Code Section 84203.

COUNT 6: Respondents Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP, failed to timely file, in paper and electronic formats, a semi-annual campaign statement by the January 31, 2007 due date for the reporting period of July 1 to December 31, 2006, in violation of Government Code Sections 84200, subdivision (b), and 84605, subdivision (a).

COUNT 7: Respondents Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP, failed to disclose one contribution totaling \$50,000 in a semi-annual campaign statement by the January 31, 2007 due date for the reporting period of July 1 to December 31, 2006, in violation of Government Code Sections 84200, subdivision (b), and 84211, subdivision (k)(5).

COUNT 8: Respondents Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP, failed to timely file a semi-annual campaign statement by the July 31, 2007 due date for the reporting period of January 1 to June 30, 2007, in violation of Government Code Section 84200, subdivision (b).

COUNT 9: Respondents Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP, failed to timely file a semi-annual campaign statement by the January 31, 2008 due date for the reporting period of July 1 to December 31, 2007, in violation of Government Code Section 84200, subdivision (b).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. The Act therefore establishes a comprehensive campaign reporting system.

Duty to File Semi-Annual Campaign Statements and Disclose Contributions

Under the Act's campaign reporting system, candidates and committees are required to file certain specified campaign statements and reports. Section 82013, subdivision (c), includes within the definition of "committee" any person or combination of persons who directly or indirectly makes contributions, including loans, totaling ten thousand dollars (\$10,000) or more in a calendar year to, or at the behest of, candidates or committees. This type of committee is commonly referred to as a "major donor" committee.

A major donor committee must file a semi-annual campaign statement for any reporting period during which it made campaign contributions. (Section 84200, subd. (b).) The first semi-annual campaign statement covers the reporting period January 1 through June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period July 1 through December 31, and must be filed by January 31 of the following year.

The "period covered" by a campaign statement shall begin with the day after the closing date for the last statement filed. (Section 82046, subd. (b).) If a committee has not previously filed a campaign statement, the period covered begins on January 1. (*Ibid.*) The filing obligations of a major donor committee terminate at the end of the calendar year in which the committee qualified. (Regulation 18404, subd. (a).) If additional campaign statements are filed after the beginning of a new calendar year because the committee files a semi-annual statement covering activity for the period of July 1 through December 31, the committee's filing obligations terminate when such statements have been filed. (*Ibid.*)

Section 84211, subdivision (k)(5), requires that in the case of an expenditure of one hundred dollars (\$100) or more which is a contribution to a candidate, elected officer, or committee, the following information be disclosed: (1) the payee's full name; (2) the payee's street address; (3) the amount of each expenditure; (4) a brief description of the consideration for which each expenditure was made; (5) the date of the contribution; (6) the cumulative amount of contributions made to a candidate, elected officer, or committee; (7) the full name of the candidate, and the office and district for which he or she seeks nomination or election; and (8) the jurisdiction in which the candidate is voted upon.

Duty to File Late Contribution Reports

A “late contribution” is a contribution which totals in the aggregate one thousand dollars (\$1,000) or more that is made to or received by a candidate, a controlled committee, or a committee formed or existing primarily to support or oppose a candidate or measure before an election, but after the closing date of the last campaign statement that is required to be filed before the election. (Section 82036.) Each candidate or committee that makes or receives a late contribution shall report the late contribution to each office with which the candidate or committee is required to file its next campaign statement pursuant to Section 84215² within 24 hours of making or receiving the contribution. (Section 84203.) For an election held in June or November of an even-numbered year, the late contribution period covers the last 16 days before the election. (Sections 82036, subd. (a), and 84200.7, subd. (b).)

Duty to File Online or Electronically

A “major donor” committee, as defined in subdivision (c) of Section 82013, shall file semi-annual campaign statements online or electronically if it makes contributions of fifty thousand dollars (\$50,000) or more in a calendar year. (Section 84605, subd. (a).) Once a person or entity is required to file online or electronically, it must file all subsequent campaign statements online or electronically. (Section 84605, subd. (g).) However because a major donor committee qualifies and terminates as a committee in each calendar year by operation of law, it is only required to file electronically in any calendar year in which it makes contributions of fifty thousand dollars (\$50,000) or more. (Section 82013, subd. (c), Reg. 18404, subd. (a).)

SUMMARY OF THE FACTS

Respondent Michael Gallagher, (“Respondent Gallagher”) is an individual residing in Upland, California. Respondent Gallagher is a shareholder and the president of Respondents Oak Valley Management, Inc. (“Respondent OVMI”), and Gallagher Management Company (“Respondent GMC”), which are California corporations located in Oak Hills, California. These corporations specialize in general contracting. Respondent Gallagher is the general partner of Respondent GMC Oak Hills 66, LP (“Respondent GMC 66”), a California limited partnership located in Victorville, California, which was created to purchase and develop a specific parcel of vacant real property.

At all relevant times, Respondent Gallagher directed and controlled the political contributions made by Respondents OVMI, GMC, and GMC 66. Thus, under the Act, Respondent Gallagher is affiliated with Respondents OVMI, GMC, and GMC 66 for reporting and contribution aggregation purposes.

² Section 84215, subdivision (a) requires major donors to file all campaign statements and reports as follows: (1) the original and one copy with the Secretary of State; (2) one copy with the Registrar-Recorder of Los Angeles County; and (3) one copy with the Registrar of Voters of the City and County of San Francisco.

In calendar years 2004, 2005, 2006 and 2007, Respondents Gallagher, OVMI, GMC, and GMC 66 (collectively, “Respondent Committee”), made contributions to or at the behest of candidates or committees that totaled \$10,000 or more. As a result, they jointly qualified as a single “major donor committee” under the Act for each of those years.

This case arose when Respondent Committee voluntarily submitted these matters to the Commission. Respondent Committee has no prior history of violating the Act.

Neither Respondent Gallagher nor any member of his staff recalled receiving any notices pursuant to Section 84105 and Regulation 18427.1 from any of the recipients of contributions of \$5,000 or more from Respondent Committee informing Respondent Committee that it may have been required to file as a major donor committee under the Act. The evidence in this matter was inconclusive regarding whether Respondent Committee received notifications from the recipients of contributions of \$5,000 or more pursuant to Section 84105 and Regulation 18427.1.

Respondents committed nine violations of the Act, as follows:

Counts 1, 3, 4, 6, 8 and 9
(Failure to Timely File Semi-Annual Statements)

Having qualified as a major donor committee, Respondent Committee had a duty, under Section 84200, subdivision (b), to file semi-annual campaign statements for the following reporting periods:

Count	Reporting Period	Filing Deadline	Date Filed	No. of Days Late	Amount of Contributions Reported
1	01/01/2004 – 12/31/2004	01/31/2005	12/26/2008	1,425	\$15,000
3	01/01/2005 – 06/30/2005	08/01/2005	12/26/2008	1,213	\$13,300
4	07/01/2005 – 12/31/2005	01/31/2006	12/26/2008	1,060	\$16,000
6	07/01/2006 – 12/31/2006	01/31/2007	08/04/2008 (paper)	551	\$168,300
			02/23/2009 (electronic)	754	\$215,000 ³
8	01/01/2007 – 06/30/2007	07/31/2007	08/04/2008	370	\$29,395
9	07/01/2007 – 12/31/2007	01/31/2008	08/04/2008	186	\$250

Respondent Committee did not file the required paper, and when required, electronic semi-annual campaign statements by the applicable due dates, ranging from six months to nearly four years late. By failing to timely file the semi-annual campaign statements for the above mentioned reporting periods, Respondent Committee violated Sections 84200, subdivision (a), and 84605, subdivision (a).

³ The discrepancy between the totals in the two filings for the 07/01/2006 – 12/31/2006 reporting period are addressed below in Count 8.

Counts 2 and 5

(Failure to Timely File Late Contribution Reports)

Respondent Committee had a duty to report making any late contribution within 24 hours of making the contribution.

The late contribution reporting period for the November 2, 2004 election was from October 17 to November 1, 2004. On October 27, 2004, Respondent Committee made a contribution totaling \$2,500 to Tad Honeycutt, a candidate for City Council for the City of Hesperia in the November 2, 2004 election. Because this contribution was \$1,000 or more, and was made to a candidate within the last 16 days before the election, this contribution was a late contribution. Thus, Respondent Committee was required to file a late contribution report no later than October 28, 2004. Respondent Committee did not file the required late contribution report until December 26, 2008 – 1,520 days late.

The late contribution reporting period for the June 6, 2006 election was from May 21 to June 5, 2006. On May 26, 2006, Respondent Committee made a contribution totaling \$3,300 to Anthony Adams, a candidate for State Assembly, Assembly District 59, in the June 6, 2006 election. Because this contribution was \$1,000 or more, and was made to a candidate within the last 16 days before the election, this contribution was a late contribution. Thus, Respondent Committee was required to file a late contribution report no later than May 27, 2006. Respondent Committee did not file the required late contribution report until December 26, 2008 – 943 days late.

By failing to disclose the above late contributions in timely filed late contribution reports, Respondent Committee committed two violations of Section 84203, subdivision (a).

Count 7

(Failure to Disclose Contributions in Semi-Annual Statements)

As a major donor committee, Respondent Committee was required to file semi-annual campaign statements. Respondents were required to disclose in those statements all contributions made during the applicable reporting periods.

On August 4, 2008, Respondent Committee filed a semi-annual campaign statement for the six-month period of July 1 through December 31, 2006, disclosing ten contributions totaling \$168,300. However, Respondent Committee filed an amended semi-annual campaign statement for this period on December 26, 2008 (paper) and February 23, 2009 (electronic), reporting ten contributions totaling \$215,000. The difference of \$46,700 between the original statement and the amended statement occurred as follows:

Action in Amended Statement	Date of Contribution	Recipient	Amount
Deleted	09/28/2006	Anthony Adams for Assembly	(\$3,300) ⁴
Added	10/31/2006	Taxpayers for Good Government	\$50,000
		Total Errors/Omissions Made During Period	\$46,700

Respondent Committee did not disclose the \$50,000 contribution until two years after the due date for the subject semi-annual campaign statement. By failing to timely disclose this contribution, Respondent Committee violated Government Code Sections 84200, subdivision (b), and 84211, subdivision (k)(5).

CONCLUSION

This matter consists of nine counts of violating the Act, which carry a maximum administrative penalty of Five Thousand Dollars (\$5,000) per count for a total of Forty-Five Thousand Dollars (\$45,000).

In this case, the combination of Respondents Gallagher, OVMI, GMC, and GMC 66 (collectively, "Respondent Committee") jointly qualified as a single "major donor committee" under the Act for calendar years 2004, 2005, 2006 and 2007. Respondent Committee failed to timely file required statements and reports under the Act over a period of four years. Additionally, Respondent Committee failed to disclose required information in the semi-annual statement for the second half of calendar year 2006.

The public harm inherent in these violations is that the public is deprived of important and timely information from Respondent Committee regarding the amounts of its contributions and the recipients.

Regarding Counts 1, 3, 4, 6, 8 and 9, the typical administrative penalty imposed against major donors for failing to file semi-annual campaign statements resolved outside of the Streamlined Major Donor Enforcement Program has been determined on a case-by-case basis, and has varied depending on the mix of aggravating and mitigating circumstances. In this case, Respondent Committee failed to timely file six semi-annual statements over a period of four years, ranging from six months to nearly four years late. The evidence was inclusive regarding whether Respondent Committee received notice of its filing obligations. Respondent Committee took steps to remedy the violations that occurred, including hiring professional services to prepare campaign statements and voluntarily filing the delinquent statements, but this action occurred long after the subject campaigns and elections took place. Even though Respondent Committee voluntarily filed the appropriate semi-annual statements and self-reported to the Commission, a penalty in the low-to-middle range of available penalties is appropriate.

⁴ Respondent Committee corrected the date of this contribution to May 26, 2006, in an amended semi-annual statement for the reporting period of January 1 – June 30, 2006, and in a late contribution report, both filed on December 26, 2008,

Accordingly, the facts of this case justify an administrative penalty in the amount of two thousand dollars (\$2,000) for each violation.

Regarding Counts 2 and 5, the typical administrative penalty for failing to file late contribution reports in cases that are resolved outside of the Streamlined Late Contribution Enforcement Program has varied depending on the surrounding circumstances. In this case, Respondent Committee filed these two late contribution reports long after the applicable due dates and elections occurred – two and a half years and four years late. Even though Respondent Committee voluntarily filed the appropriate late contribution reports and self-reported the non-filing issue to the Commission, a penalty in the middle range of available penalties is appropriate. Accordingly, the facts of this case justify an administrative penalty in the amount of two thousand five hundred dollars (\$2,500) for each violation.

Regarding Count 7, the typical administrative penalty for failing to disclose required contribution information has been in the middle-to-high end of the penalty range, depending on the circumstances of the case. In this matter, Respondent Committee failed to disclose a significant contribution of \$50,000. Respondent Committee voluntarily amended the subject campaign statement, but not until two years after the due date. Even though Respondent Committee voluntarily filed the appropriate amended semi-annual campaign statements and self-reported to the Commission, a penalty in the middle range of available penalties is appropriate. Accordingly, the facts of this case justify an administrative penalty in the amount of three thousand dollars (\$3,000) for this violation.

Accordingly, the facts of this case justify an imposition of an administrative penalty of Twenty Thousand Dollars (\$20,000).

* * * * *